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SUBJECT: QUEBEC PREMIER CHAREST VISIT SCENESETTER

¶1. Summary: Premier Charest is coming to Washington April 17-19 at the halfway mark of his four-year term, facing political difficulties at home but with his determination and vision for Quebec intact. When elected in 2003, the Premier promised to put Quebec on a "new path of development and prosperity" to include lower taxes, less government spending, more public-private partnerships and better health care. Charest is moving forward with this agenda, but it is costing him in popular support, which now stands at a record low. A staunch federalist, Charest is committed to a Quebec that leads in the Canadian Federation. His twenty years of experience in national politics, including as a leader of the federal Progressive Conservative party, help Quebec punch above its weight in Canada. Very much a friend of the U.S., the Premier in his meetings in Washington will likely stress the GOQ's commitment to North American trade and security. He is keen to encourage more business partnerships among Quebec and American firms (particularly in the high-tech sector), and will also likely stress Quebec's attractive energy market (both hydroelectric and wind power). The Premier has been briefed on the Security and Prosperity Partnership for North America (SPP) and will be interested in hearing of ways in which Quebec can contribute to that process. End summary.

¶2. Premier Charest is one of Canada's leading political figures. First elected as a Progressive Conservative Member of Parliament in 1984, he served in several ministerial posts (including environment) in Conservative governments. After the Conservative's disastrous defeat in 1993, Charest became interim leader of that party, and in 1995, he became the first Quebecer to lead the Conservatives. It was only shortly after the Quebec independence referendum in 1995 (which failed by a slim margin), and growing anxiety over Quebec separatist intentions, that Charest was persuaded to leave federal politics and join the Liberal party of Quebec (PLQ). In 1998, he became head of the PLQ. In 2003, tired of nine years of separatist Parti Quebecois (PQ) rule, Quebecers voted in the Liberals, with Charest at the helm.

¶3. The background is important in understanding Charest, for at heart he remains a federal politician. Charest thinks in national, not provincial, terms. (During the 2003 provincial campaign, he let slip "when I become Prime Minister of Canada.") Nearly all of his successes as Quebec Premier have been at the federal or international level. Shortly after taking office, for example, he successfully launched a new federative arrangement for Canada, the Council of the Federation, where Canadian Premiers meet on a regular basis and hash out their positions on issues that are then discussed with federal officials. Last fall, he brought home a victory on federal health fund transfers, winning Ottawa's acceptance of his principle of "asymmetric federalism" (i.e., the idea that federal policies need not be applied similarly in each province). Provincial Liberals we spoke with believe that the Charest government's position vis-`-vis the federal government will remain unchanged, even if the federal Liberals lose in the anticipated federal election. They argue that with a strong separatist Bloc Quebecois showing, any new federal government - Liberal or Conservative - will welcome the support of a non-separatist Quebec government.

¶4. Charest has been especially effective in expanding Quebec's field of action internationally. Last fall, he broke new ground by accompanying French Prime Minister Raffarin to Mexico where they met with President Fox. Quebecers believe provinces ought to engage internationally on issues that under the Canadian constitution are within provincial jurisdiction (e.g., health, education). But only Charest has been able to parlay this into speaking for Canada at a UNESCO meeting on cultural diversity (to the outrage of some in Canada's other provinces). With a significant Haitian diaspora in Quebec, he has pushed for the province to play a role in Haiti, separate but complementary to that of Canada.

¶5. Charest's difficulties come into play on the Quebec homefront. His party was voted into power in 2003 after nine years of separatist PQ rule, including an emotionally heated, ultimately unsuccessful 1995 referendum on independence. During a televised election debate Charest asked voters whether they wanted a government for whom the guiding priority was improved healthcare (the PLQ) or sovereignty (the PQ)? Voters backed the PLQ but today, as the GOQ moves forward on an ambitious agenda

of government reform, many here wonder whether Quebecers are really on board. He has tried to dig into a host of public entitlements, cutting funding for university tuition, raising daycare fees, attempting public-private partnerships, slowing pay hikes for civil servants and outsourcing government services. The GOQ's disapproval rating has soared, and now stands at a record 76 percent. Others argue that it is not the changes that are causing Charest's popularity to fall, but the clumsy way in which new policies and practices have been carried out. Charest is sticking to his election pledge to put Quebec on a "new path of development and prosperity" via lower taxes, more private-public partnerships (PPPs), and by improving the business climate. As he told Radio-Canada television audiences April 13, "how can we say we want a modern society and tax the way we do?" (Quebec taxes are said to be the highest of any North American province or state.)

Quebec - U.S.

16. The GOQ understands the stakes for Quebec and all of North America as it relates to North American security. Quebec is working with the States of New York, Maine, Vermont and Massachusetts on security-related issues. We understand from DHS contacts that these relationships are working well. In December 2003, VT Governor Douglas and Charest signed an MOU to support information sharing. In October 2005, at Quebec's request, the Quebec Provincial police ("Suriti de Quebec") and the Vermont State Police will conduct a joint terrorist scenario in Swanton, VT and Phillipsburg, Quebec, entitled "Double Impact." The GOQ and the Provincial police also have written mutual assistance treaties/agreements with New York, Maine, Vermont and New Hampshire and for assistance in emergency situations (terror attack, hydroelectric incidents, etc.). At the same time, especially with Canadian federal RCMP cutbacks to border patrol, there is concern that some parts of the Quebec-VT and Quebec-NY borders are poorly patrolled. It would be helpful for the GOQ to direct the Suriti to better support Canadian efforts to patrol the border. The GOQ also needs to be more actively engaged in policing the Indian reserves along the border.

17. With eighty-six percent of Quebec's exports headed to the U.S., commerce will be a key theme of Charest's visit to Washington. For Charest, the future of Quebec lies in more U.S.-Quebec business partnerships, more U.S. investment in Quebec, and more sales of Quebec electricity to the U.S. GOQ-owned Hydro-Quebec is developing more hydroelectric plants and has begun one of the largest wind energy projects in the world. We are told that Charest also intends to highlight Quebec's growing high-tech sector. In his public remarks at the Wilson Center, Charest will likely emphasize going "beyond NAFTA," taking North American security and prosperity to the next level. GOQ officials have briefed the Premier on the results of the March 23 trilateral summit. Particularly in his meetings with DHS and DOC, we expect he will be interested in hearing how Quebec might contribute to the Security and Prosperity Partnership process. For Quebec, priority areas include energy (electricity and wind), the environment, and transportation security (including resolving delays tied to pre-clearance of agricultural products).

18. Comment: Charest is smart, witty and determined. Despite popular support for his government taking a hit, he appears far from embattled. ("You've got to have a thick skin in politics and I've got a very thick one," he joked to an interviewer recently.) Hailing from Sherbrooke, only fifty miles north of the Vermont border, he is fluently bilingual and at home with America and Americans. He is committed to a Quebec in Canada, and to making Quebec competitive in North America and beyond. Most important, he has shown a willingness to work with us on issues of common concern, including energy, the environment, facilitating cross-border trade and security.

FRIEDMAN